CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 22, 1997

S. 714
A bill to make permanent the Native American Veteran Housing Loan Pilot Program of the Department of Veterans Affairs

As ordered reported by the Senate Committee on Veterans' Affairs on October 7, 1997

SUMMARY

The bill would extend programs pertaining to veterans' medical care, housing and job training for homeless veterans, and home loans for Native American veterans. S. 714 would raise direct spending by about $1 million a year over the 1998-2000 period, and thus pay-as-you-go procedures would apply. Assuming appropriation of the necessary amounts, CBO estimates that enacting the bill would raise spending subject to appropriations by $89 million in 1998 and $280 million over the 1998-2002 period. S. 714 contains an intergovernmental mandate, as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the mandate threshold ($50 million in 1996, adjusted annually for inflation) in that act would not be exceeded. The bill would impose no new private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 714 is shown in the following table.

Direct Spending

The bill would extend two provisions of law that would raise direct spending

Native American Home Loan Pilot Program. The bill would extend through December 31, 2003, the Native American Home Loan Program, which provides direct home loans to veterans living on trust lands. The program was established in 1993 and expired on September 30, 1997. Since the program's inception, the Department of Veterans Affairs (VA) has made about 165 loans and used $1.3 million of the $4.5 million in subsidy

TABLE 1. BUDGETARY IMPACT OF S. 714 (By fiscal year, in millions of dollars)

	1998	1999	2000	2001	2002
DIRECT SPENDING					
Estimated Budget Authority	3	a	a	0	0
Estimated Outlays	1	1	1	0	0
SPENDING SUBJECT TO APPROPRIATIONS					
Native American Home Loans					
Estimated Authorization Level	1	1	1	2	2
Estimated Outlays	1	1	1	2	2
VA Medical Programs					
Estimated Authorization Level	98	131	34	0	0
Estimated Outlays	88	128	48	0	0
DOL Program for Homeless Veterans					
Estimated Authorization Level	0	10	0	0	0
Estimated Outlays	0	1	6	3	0
Total Change in Spending Subject to Appropriation Under S. 714					
Estimated Authorization Level	99	142	35	2	2
Estimated Outlays	89	130	55	5	2

NOTE: The costs of this bill fall under budget functions 700 (veterans' affairs) and 500 (education, employment, training and social services).

a. Less than $500,000.

appropriations. S. 714 would extend the availability of the remaining $3.2 million, which would constitute a reappropriation. CBO estimates that VA would subsidize about 100 loans a year at an annual cost of about $1 million a year. Those costs would be direct spending through 2000, but they would be subject to appropriations thereafter. In addition, CBO estimates that VA's administrative expenses, a discretionary cost, would be roughly $500,000 each year over the 1998-2002 period.

Enhanced-Use Leases. The bill would extend through December 31, 1999, the authority of VA to enter into a limited number of enhanced-use leases. Under this authority, VA leases portions of its real property in return for cash or in-kind services. Cash receipts would be spent for nursing home and medical care expenses. CBO estimates that this provision would have little or no net budgetary effect because the additional income to the government and the spending of that income would offset each other.

Spending Subject to Appropriations

For the purpose of this estimate, CBO assumes appropriation of the amounts authorized or estimated to be necessary. Outlay estimates are based on historical spending patterns.

Homeless Veterans. The bill would extend through fiscal year 1999 VA's authority to provide services in community-based residential treatment facilities and half-way houses to veterans suffering from chronic mental conditions or homelessness. Current authority to provide long-term housing in community-based half-way houses will expire on December 31, 1998, and authority for the other activities, primarily the Homeless Chronically Mentally Ill Veterans (HCMI) program, expired on September 30, 1997. Based on 1997 spending for these programs, CBO estimates the extension would cost about $37 million in 1998 and $111 million over the 1998-2000 period.

The bill would also extend through December 31, 1999, VA's Compensated Work Therapy/Transitional Residence (CWT/TR) program. This program, which allows veterans with drug and alcohol problems or mental illness to live in VA-owned and managed housing, will expire on December 31, 1997. According to data from VA, it obligated $4 million in 1996 from appropriations for medical care for activities and personnel related to the CWT/TR program. Thus, CBO estimates that VA would obligate a comparable amount from its medical care appropriations in 1998 and 1999, resulting in outlays of $3 million in 1998 and $8 million over the 1998-2000 period.

In addition, this section would extend through December 31, 1999, VA's authority under the Homeless Veterans Comprehensive Services Program Act of 1992. That act allows VA to award grants to organizations that establish homeless shelters and supervised, therapeutic housing and to refer homeless veterans to these facilities at per diem rates. S. 714 would authorize the appropriation of $48 million a year to carry out these activities. Assuming appropriation of the authorized amounts, CBO estimates that VA would spend $32 million during the three-quarters of fiscal year 1998 and $96 million over the 1998-2000 period.

Finally, this bill would authorize appropriations of $10 million in 1999 for homeless veterans' reintegration projects that are carried out through the Department of Labor (DOL). CBO estimates that DOL would spend $1 million beginning in 1999 and $10 million over the 1998-2002 period.

TABLE 2. SPENDING FOR VETERANS' MEDICAL CARE UNDER S. 714 AS ORDERED REPORTED BY THE SENATE COMMITTEE ON VETERANS' AFFAIRS ON OCTOBER 7, 1997
(By fiscal year, in millions of dollars)

	1998	1999	2000	2001	2002
Spending Under Current Law for Veterans Medical Care					
Estimated Authorization Level [a]	16,313	16,313	16,313	16,313	16,313
Estimated Outlays	16,150	16,150	16,150	16,150	16,150
Proposed Changes					
Homeless Veterans Programs					
Estimated Authorization Level	80	106	28	0	0
Estimated Outlays	72	104	39	0	0
Homemaker/Home Health Aide Programs					
Estimated Authorization Level	18	25	6	0	0
Estimated Outlays	16	24	9	0	0
Total Changes					
Estimated Authorization Level	98	131	34	0	0
Estimated Outlays	88	128	48	0	0
Spending Under S. 714 for Veterans Medical Care					
Estimated Authorization Level [a]	16,411	16,444	16,347	16,313	16,313
Estimated Outlays	16,239	16,278	16,197	16,150	16,150

a. Funding for fiscal years 1998 through 2002 is subject to future appropriations actions. The amounts shown here assume that appropriations under current law remain at the 1997 level. If they are adjusted for inflation, the base amounts would grow at a rate of about $500 million a year , but the estimated changes would remain as shown.

Other Medical Care Provisions. The bill would extend through December 31, 1999, two programs affecting medical care for veterans that will expire on December 31, 1997. One program allows VA to furnish homemaker and home-health aide services to veterans on a discretionary basis. In 1996, VA spent about $22 million on these services. Assuming that VA provides the same volume of care, CBO estimates that it would spend about $16 million over three-quarters of fiscal year 1998 and $49 million over the 1998-2000 period.

The second program, Health Professionals Scholarship Awards, allows VA to pay tuition and stipends to students enrolled in certain health professional schools in return for two years of service at the VA. In recent years, VA has not offered these awards to recruit health professionals, and information from VA suggests that it would not be likely to use them through calendar year 1999. Thus, CBO estimates that no additional spending would result from this provision in 1998 and 1999.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Because the bill would affect direct spending, pay-as-you-go procedures would apply. The projected changes in direct spending are summarized in the following table for fiscal years 1998-2007. For purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

Summary of Pay-As-You-Go Effects

	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Change in outlays	1	1	1	0	0	0	0	0	0	0
Changes in receipts	Not applicable									

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 714 contains an intergovernmental mandate as defined in UMRA. The bill would extend and expand, through calendar year 1999, an existing mandate that preempts state and local governments from imposing taxes, fees, and permit requirements on VA properties leased to private concerns. This provision would make it more attractive for private concerns to build and operate facilities on VA property, rather than on private property. To the extent that such concerns would otherwise pay taxes or fees for affected facilities, either on private property or on VA property, the loss of revenue to state and local governments would be considered a mandate cost. However, based on information from the Department of Veterans Affairs, and because the affected projects are generally small, CBO estimates that any losses would be minimal and that the mandate threshold established in UMRA ($50 million in 1996, adjusted annually for inflation) would not be exceeded.

The bill would also reauthorize funding for programs for homeless veterans. Some of the services under these programs could be provided by state and local governments.

ESTIMATED IMPACT ON THE PRIVATE-SECTOR

The bill would impose no new private-sector mandates as defined in UMRA.

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